S&MM

SALES & MARKETING MANAGEMENT

OCTOBER 8, 1984
A BILL PUBLICATION
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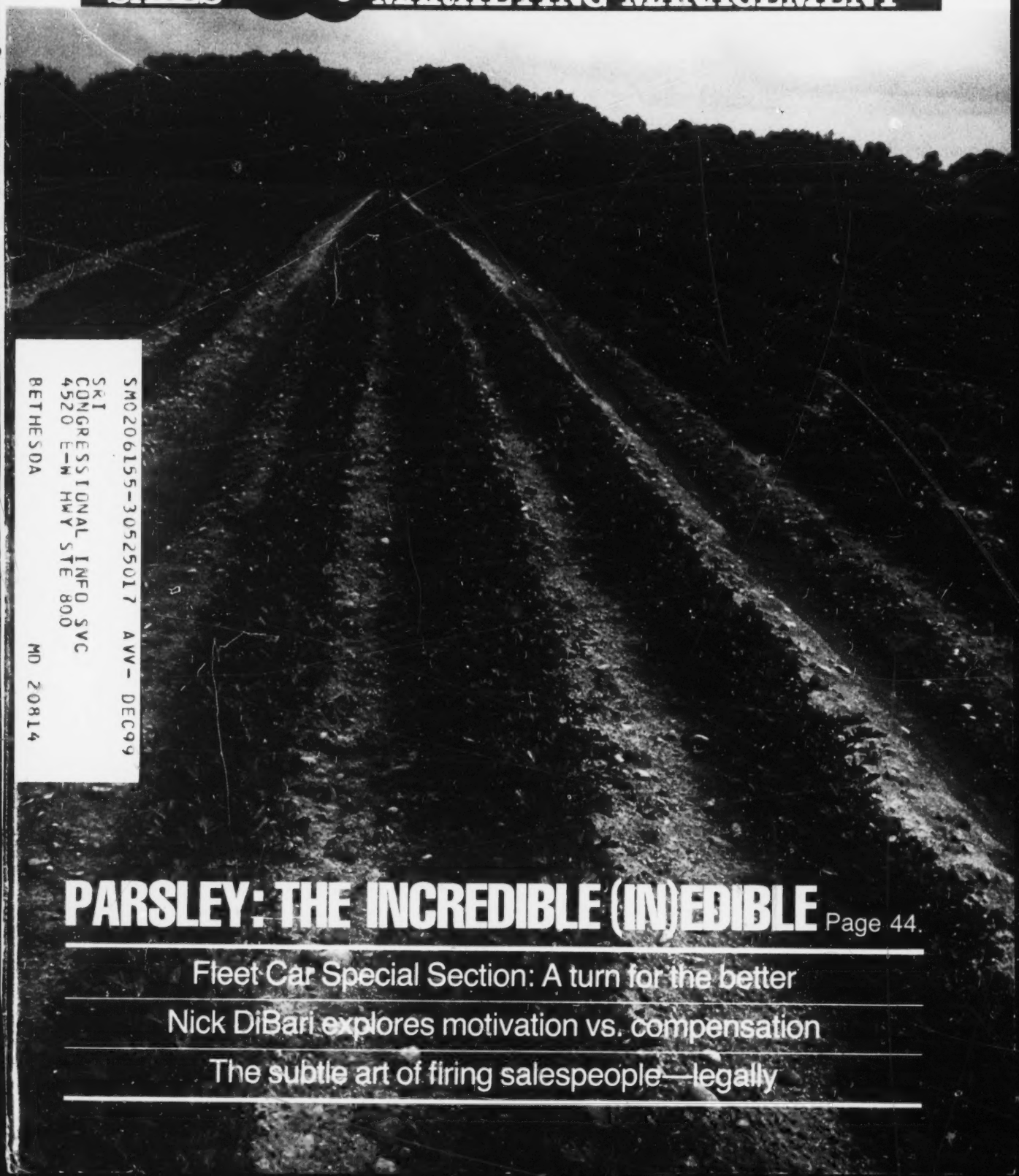

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Fleet Car Special Section: A turn for the better

Nick DiBari explores motivation vs. compensation

The subtle art of firing salespeople—legally

S&MM

OCTOBER 8, 1984

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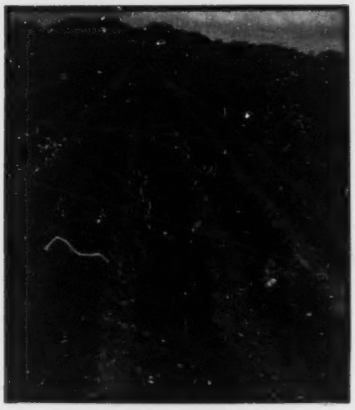

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S&MM's cover photo by Joe Bevilaqua

VOL. 133, NO. 5 S&MM [**Sales & Marketing Management** ISSN 0163-7517], a Bill publication, is published monthly except in February, April, July, and October, when it is published twice a month. Second-class postage paid at New York, NY, and additional mailing offices. Postmaster sand changes of address to: 633 Third Ave., New York, NY 10164-0563. Executive, editorial, and circulation offices: 633 Third Ave., New York, NY 10164-0563. SUBSCRIPTIONS: $36 a year, U.S.A. and Canada ($50 CDN). Foreign, $65. Allow 4 to 6 weeks for first issue to arrive. Member of the Audit Bureau of Circulations, American Business Press, Business Publications Audit of Circulation, and Magazine Publishers Assn.

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quipped, "Looks like a premium show."

That summed up the feelings of 1,180 exhibitors who faced empty aisles on all four days of this year's National Premium Incentive Show, temporarily moved to San Francisco on Sept. 10–13 when the show lost its traditional October dates in Chicago. Show managers Hall-Erickson gambled that a new crop of West Coast buyers would be attracted to Moscone Center, and indeed boasted that buyer preregistrations numbered 10,000. But the buyers stayed home and exhibitors lost the bet.

Donald LeBlanc, vice president of special markets for Lenox China, praised the beauty of Moscone Center and San Francisco but bemoaned the $25,000 he spent producing one order that will gross him less than the cost of his booth. "It's like building a retail store on top of a mountain," he said. "It's beautiful and cheap but there's no business."

David Parr of Premco Associates, caught on the third day of the show, said, "I would have closed up yesterday if I could have."

Others were more upbeat. "I have had half a dozen good conversations that made the trip worthwhile," said Don Rainwater, premium sales manager for Texas Instruments, "but I certainly have not been stampeded."

Noting that many western buyers attend the Chicago show, president of Van Heusen Corporate Markets Irving Chernow said he still views the West as an important market for incentives. "I'm mystified why attendance is so low," he said.

But Hall-Erickson's Pete Erickson wasn't. "We knew this would happen," he said, though he couldn't explain what happened to the promised 10,000 buyers. "In Chicago, 60% to 65% of the buyers are from the local area, and in San Francisco you have a 300- to 400-mile radius with one-tenth the population of Chicago."

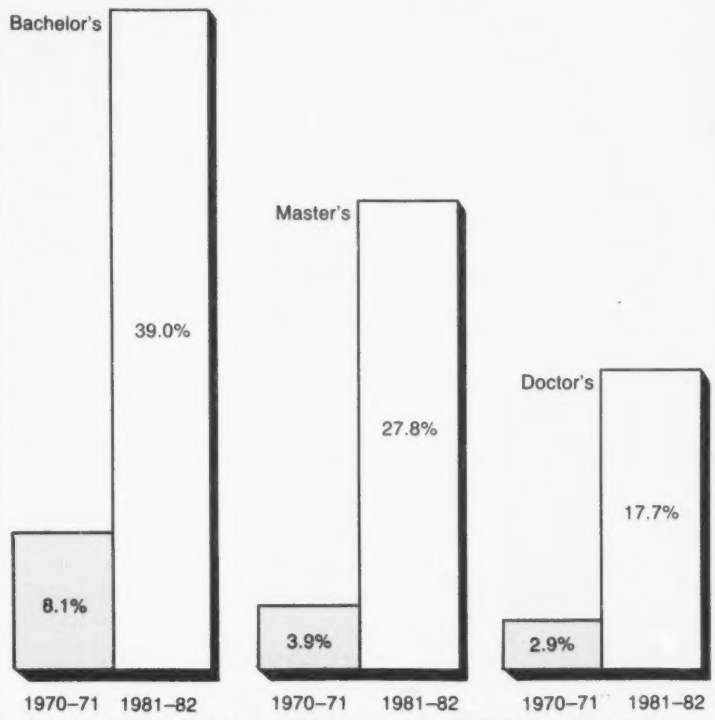
Erickson said that the show could only act as a catalyst for incentive sales in the West. But incentive marketers will prefer crowded aisles when the show moves back to Chicago on the first week of December in 1985.

SALES FORCE HIGHLIGHT

The lady means business

Marketers who scout college and university campuses for the best sales training prospects will have to make a bigger play for female graduates. In the decade between the 1970–71 and 1981–82 school years (the latest for which data are available), the proportion of business and management degrees awarded to women at the bachelor's, master's, and doctor's levels skyrocketed. During that time, for example, the women's share of bachelor's degrees awarded to business and management majors soared from 8.1% to 39.0%.

% of business and management degrees awarded to women



Source: National Center for Education Statistics, *The Condition of Education: 1984 Edition.*
*Sales & Marketing Management.

SURVIVAL SELLING

Missing the window can be fatal

Seizing a "window of opportunity" is the dream of every company in the personal computer (PC) sweepstakes. Missing it can raise the specter of Chapter XI. Such is the case of Gavilan Computer, which a year

PRODUCT STRATEGIES

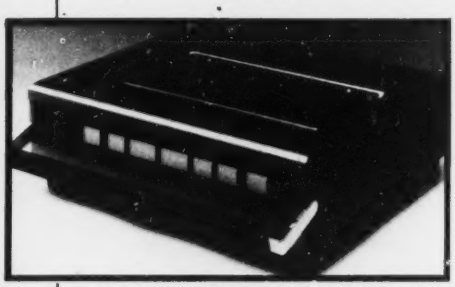
Cashing in on the video craze

With the popularity of the videocassette recorder (VCR) a foregone conclusion, marketers are turning their attention to products aimed at the periphery of this burgeoning industry. One of these, the videocassette player (VCP), is scheduled for introduction in U.S. markets early in 1985. The VCP is a playback-only unit with no recording capability. Retail prices will reflect this greater simplicity, making them $100 to $200 cheaper than standard VCRs.

At this point, only three companies plan full-scale distribution, and just one, General Electric, is based in the U.S. The others, Funai of Japan and Samsung of Korea, have been marketing these units overseas for some time.

So far, the likes of RCA, Sony, and JVC are holding back for what they regard as sound marketing reasons. Here's why: Remember a few years ago when something called the videodisc player was introduced amid great flag-waving? Well, RCA does. It invested almost $600 million in this playback-only marvel—then watched it sink like a stone.

Some industry sources say the same fate awaits the VCP, but GE's VCR product manager, Robert Riddell, sees things differently. "We're going after the second- and third-time purchaser," he says, "people who already have a recording unit." With more than 10 mil-



Will GE's playback-only VCP shake the videodisc jinx and find success?

S&MM SALESGRAPH

Working couples back in style

The comeback of the working married couple is a harbinger of continued strength in consumer spending through 1984's second half.

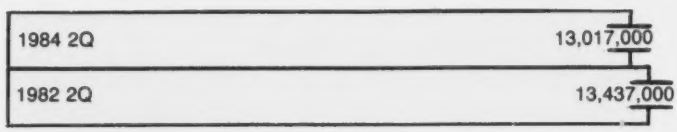
The favorite sales target of most marketers because of their penchant for high-ticket items, working couples slipped slightly in the wake of the recent recession, their numbers declining 2.8% to 12,657,000 in the second quarter of 1983 vs. 1982's same period. However, they bounced back with a healthy 6.2% gain to 13,437,000 between the second quarters of 1983 and 1984, a new Bureau of Labor Statistics (BLS) report shows.

At the same time, the once-traditional family that relied upon the husband as the sole breadwinner continued its disappearing act. Since 1982's second quarter, such families have shrunk 7.3% to 10,589,000. As a result, only one-fourth, 26.1%, of all families with wage and salary income depend exclusively upon the husband, compared to one-third, 33.1%, that benefit from two-paycheck earnings.

Median weekly earnings of families with two or more workers rose 4.7% in the more recent one-year period vs. a slightly smaller 4.0% gain in the preceding 12 months. However, the actual improvement in buying power was somewhat zestier because, as BLS economist Earl Miller notes, "real income increased for the first time in a long time. After you account for inflation, income actually fell 1.6% between the 1982 and 1983 periods but rose 1.0% between the 1983 and 1984 second quarters."

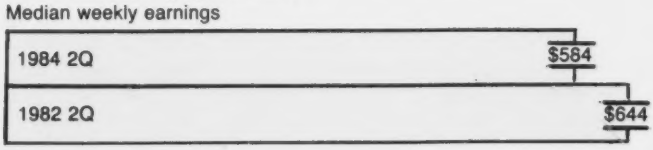
Working couples'

. . . greater numbers . . .



. . . and fatter paychecks

Median weekly earnings



Blacks lead, Hispanics trail

Working couples as % of married-couple families

Source: Bureau of Labor Statistics, *Earnings of Workers and their Families: Second Quarter 1984*, USDL 84-326.

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CARS THAT ARE HERE TO STAY

You no longer need a scorecard to tell the fleet cars. Detroit has settled on models that offer comfort and power at the right price.

For sales and marketing executives who oversee the selection of fleet cars that their salespeople drive, life truly is taking a turn for the better. The frantic pace of new-car introductions and nameplate changes—resulting in an alphabet soup of body styles—appears to have slowed at last. "This is the year of refining models introduced in the past few years," says Lou Proctor, field operations manager for the fleet department at Chevrolet.

Not surprisingly, Proctor's assessment is true of other General Motors (GM) divisions as the auto industry's leader begins the 1985 model year. But similar tidings are audible elsewhere in Detroit as manufacturers settle on lineups that look as if they will withstand the test of time. "This is pretty much a carry-over year, there is not much new apart from small vans," observes Don Allen, who oversees nearly 1,000 cars driven by Gerber Products salespeople.

At Lincoln-Mercury, for instance, its front-wheel-drive Topaz (introduced in mid-1983) and the rear-wheel-drive Mercury Marquis have established themselves as the company's leading fleet cars, although fleet demand is strong too for cars as diverse as the subcompact Mercury Lynx and the Lincoln Continental. American Motors Corp. (AMC) is also offering to fleets essentially the same subcompact lineup as last year, led by the Renault models, Alliance and Encore, that propelled the fleet department to a new sales record.

Anyone who thinks the auto business has reached a hiatus, however, is sorely mistaken. A renewed emphasis on quality and technology is finding its way into new cars. "We will continue to bring completely new cars to the marketplace," Lynn Wilson, Buick's fleet sales administration manager, says. "It is so costly, though, that they will be a lot better researched and tested than ever before. We are committed to not bringing a car out that isn't right."

The same determination has placed Ford in good stead. "It's apparent that Ford's emphasis on quality has been recognized in the total fleet market," says Bill Willis, general fleet, leasing, and rental manager. "This factor has been instrumental in the success we have achieved so far in the 1985 model year." Ford's front-wheel-drive Tempo, introduced in mid-1983, and its venerable rear-wheel-drive LTD, are Ford's top fleet cars.

Fewer and better-built cars are just what harried sales and marketing executives have wanted. This respite comes, too, just as these executives find that company cars have become an extremely expensive fact of life. "More than ever before, a car is tantamount to additional income," says Ronald Basso, sales vice president at Continental Extrusion, Garden City, NY.

Similarly, Len Goldstein, marketing vice president at Allied Automation, Dallas, would prefer it if his company *didn't* offer cars to salespeople. But he finds that these days a company car "is a condition of employment as opposed to a perqui-

Cadillac goes after sales managers

In only its third year of actively wooing fleet buyers, Cadillac is emerging as a serious player in the market. "We instituted a fleet department ahead of the 1982 model year," says David John, Cadillac's fleet supervisor. "Since that time, we've pursued commercial users on a more concentrated basis." Results thus far have encouraged further efforts. Fleet sales increased 32% between 1982 and 1984, to the point where fleets comprise 11% of Cadillac's sales. Notable successes include direct sellers Mary Kay Cosmetics, Amway, and Shaklee. "We like that kind of business," John says.

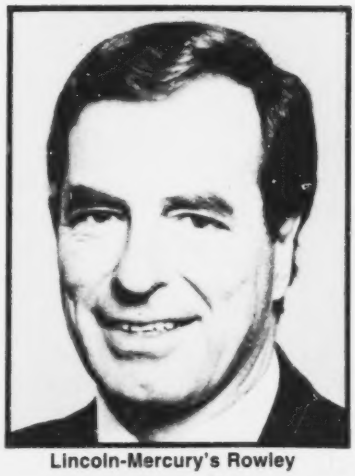
"We like to promote Cadillac as an incentive," John explains. "Being very realistic, we find that most users are not going to give Cadillacs as a company car in the classic sense." Thus he acknowledges that "a sales rep for Revlon is unlikely to drive a Cadillac." The case is different, however, for sales managers who have always driven near-luxury cars. "We are concentrating on having them consider Cadillac," John says.

In the right circumstances, he is quick to point out, "the perceived value of a Cadillac is far beyond the actual cost. Upgrading an individual from a near-luxury car to a Cadillac costs, John figures, about $100 per month, but gets a lot more mileage than the cash equivalent.

site." It is especially vexing when a typical fleet car costs close to $10,000 before the cost of operation is figured in.

On the bright side for many fleet customers, prosperity has brought better sales performances and that tends to reduce the dent fleet cars make in the budget. The improved economy has produced record earnings for the car manufacturers now that their customers are faring better and in many cases adding sales personnel or reducing the length of time that fleet cars remain in operation.

Thanks to this improved economic environment, Lincoln-Mercury's John Rowley, major leasing and fleet accounts manager, notes that some of his customers have returned to "more timely" replacement schedules. This marks a reversal of the tendency to hold fleet cars longer. Between 1980 and 1984, the average cycle grew from two years to three, with a significant number of companies holding cars even longer. Now, the change in this pattern, Rowley says, "has



Lincoln-Mercury's Rowley

helped our business somewhat, but I would hate to have to quantify it."

Oldsmobile's director of national fleet sales, John Wellman, has enjoyed the general recovery in the course of another record-setting year for his division. "A lot of companies have added salespeople and sales-related people," he says. "I think that is part of the reason for our strong showing this year."

At AMC, Mike Burke, manager of fleet operations and administration, agrees with his counterparts. "I think that we've seen that trend for almost a year," Burke says, following successive years of "downfleeting" caused by employee cutbacks and stretched-out service for fleet cars. In fact, he acknowledges, "A number of fleet accounts are going to larger cars than we offer." Still, the increase in the number of salespeople on the road, together with growing demand for AMC cars in other segments of the fleet business—notably daily rental and government—are helping to propel the company's fleet department toward strong sales again in 1985.

In a couple of respects, the overall boom in demand for cars, accompanied by the moderation in fuel costs, has had an unfavorable impact. One fleet executive points out that soaring retail car sales have put pressure on availability to fleets that was unheard of a couple of years ago. Also, companies that introduced diesels have seen those

With cars like these, Cadillac's John is ready for the fleet market.

sales go through the floor. "Diesel is a nasty word," says Mel Ott, president of Vandenberg Leasing, Holland, MI.

Currently, the biggest question facing sales and marketing executives concerned with fleet operations remains unanswered. It is whether or not good times will reverse the downsizing trend just when that issue looked settled. "The big push for economy is not as prevalent as it was," Ott says. "A significant number of those people who were in four-cylinder cars are going to six," he adds.

Oldsmobile's Wellman

Some are going to even larger cars, such as the eight-cylinder, rear-wheel-drive Pontiac Parisienne, which was reintroduced into some fleets early this year.

"It's not a massive trend toward big cars," says Buick's Wilson, "but there is some return by people who went to cars that are too small." In fact, Buick Regal is proving as popular as ever, demonstrating that loyalty is still strong for the rear-wheel-drive configuration, Wilson says. At the same time, he notes that Buick Century is a "strong comer" in the mid-sized, front-wheel-drive category.

At the very least, company managers are considering—if not yet making—a move to larger cars. "It's a natural tendency for sales managers who have been getting negative feedback," explains Nick Yackley, a sales administrator for

Barton of Chrysler

S.C. Johnson, Racine, WI. "Now they can step back, look at the whole picture, and think about upgrading," he adds, noting that a "reluctance to backsliding" will keep upsizing short of a stampede to the good old eight-cylinder, rear-wheel-drive days.

"The country right now is trending away from smaller, fuel-efficient power plants," says Gerber's Allen. Like Yackley, however, Allen cautions anyone who entertains hopes of radical change. For one thing, he notes, the trend to bigger cars has an impact on the failure by auto companies to meet Corporate Average Fuel Economy (CAFE) standards, which dictate that an auto company's entire output achieve a set fuel economy. Failure to meet those standards "is going to create a penalty that will load big cars and big engines," Allen says. In real terms, he notes, it now costs him as much as $250 per car to upgrade from a four- to a six-cylinder engine, a change that a few years ago costs less than $100.

With these limitations in mind, auto executives are pushing for big-car comfort and performance from mid-sized cars. "We're really not putting in bigger engines," says Chevy's Proctor, "we're trying to give V-8 performance with better fuel economy."

Here come the 'vanagons'

Rather than switch to cars with bigger power plants, some sales and marketing executives have opted for station wagons and so-called "vanagons" that offer more interior space without sacrificing engine size. Vanagons proved to be extremely popular with retail buyers and also sold well among fleets in 1984, the first year in which they were aggressively marketed. In fact, "we didn't have enough Plymouth Caravans or Dodge Voyagers," says Hal Barton, Chrysler's fleet division manager, adding that a second plant will be on line in the near future.

Other manufacturers plan to jump on the vanagon band wagon. Ford, for instance, is readying production facilities for the introduction of its AeroStar next spring.

This year, Chrysler is the exception to the rule that the auto business has, to a great extent, settled down. The company has completely redesigned its K-cars for 1985, Barton says, stressing that the change "isn't just a facelift." Meanwhile, Chrysler will introduce a whole new group of mid-sized H-body cars in an effort to fill out its lineup, giving it a basic product configuration that management expects will be around for a few years.

Even at Chrysler, though, the rapid innovation of recent years has begun to take on an equally significant, though more subtle, character. Fleet buyers, too, are beginning to notice a distinct shift within the industry. "We're still getting model changes but in a little different pattern," Gerber's Allen observes. "Instead of annual change we are going to see three to five years of body styling plus frequent technical innovation."

It's about time that manufacturers adopted this approach, he notes, if only from a cost standpoint; it's

American Motors' Burke

expensive to change styling every year. Luckily for them, Allen says, "we are getting into a situation where technological advances are more of a selling point than styling." Lincoln-Mercury is a good case in point. "We're going to talk more in ads about electronic engine controls, an on-board computer that monitors and adjusts engine performance," says Rowley. The system keeps track of more than a dozen engine functions and responds to changes in climate and effects of wear.

A reprieve for sales and marketing executives from relentless new-car introductions throughout the year doesn't mean that Detroit's fleet executives have had time to spare. Quite to the contrary. Most have bolstered their marketing efforts for 1985 with an increase in sales staff or by trying new strategies for getting a larger share of the highly competitive market.

Nissan Motor's Barnett

In the past year, Oldsmobile's fleet department has strengthened its dealer organization, added personnel to its area sales force in New England, and brought into headquarters for the first time a full-time fleet service manager. The efforts appear to have paid off, especially for its rear-wheel-drive Cutlass Supreme and its front-wheel-drive Cutlass Ciera. Helped by a strong economy, Oldsmobile's fleet department posted its second consecutive record year and Wellman is betting on a third. "I don't see anything on the horizon that would make it any other way," he says confidently.

Also on the heels of a record-setting year, AMC's fleet department has stepped up sharply its advertising budget this year following last year's 40% increase. Last year's efforts resulted in a 29.6% increase in fleet sales, and hopes are that this year efforts will lead to a further increase of 17%. A chief objective is the success of a new direct mail campaign aimed at 18,000 key decision makers, including many sales and marketing executives. A lot of the budget went into upgrading the material "to really first-class caliber," Burke says. The "luxurious look" has already helped, he notes, to erase a mistaken second-class notion of AMC that persisted in the minds of some prospects.

Lincoln-Mercury has repackaged options into related groups and restructured pricing on some of its models. The aim, Rowley says, is "more flexibility in ordering by fleet customers. Most of the things we've made standard, fleets order anyway." At the same time, the company has sought to simplify its pricing in a manner that will facilitate understanding by fleet buyers and reduce costs entailed in complicated pricing structures.

An aggressive demonstrator program helped propel Pontiac's 6000 model to a 135% increase in sales during 1984, says Nelson Karney, director of fleets and leasing. In each of the company's 26 zones, pools of three to four cars were converted exclusively to the 6000, and fleet buyers were invited to take test drives. These cars were also put at the disposal of accounts that were not doing too well, Karney adds. The resounding success was a big factor in pushing Pontiac's share of the fleet market up to 5.8% from 4.3% in 1983.

Karney and other GM fleet executives stress that the extensive marketing changes announced last fall by GM will not affect the fleet operations at all. "Unfortunately the media picked up on the GM marketing change as 'big car, small car,' " Karney says. In point of fact, the same people will be involved and there will no realignment as far as fleets are concerned. "All divisions will continue to market those cars that they can handle in the marketplace," Karney insists. "Customers will see no change." Notes Oldsmobile's Wellman, "I don't see the new setup affecting us one iota."

To secure and build on its indus-

Costs depend on where you are

Base City	Operating Costs ¢/Mile[1]	Ownership Costs $/Month[2]	Total Costs $/Year[3]
Philadelphia	10.10¢	$328.67	$5,964
Cleveland	9.90	270.83	5,230
Portland, ME	8.70	260.50	4,866
Portland, OR	8.40	261.25	4,815
Tulsa, OK	8.40	259.83	4,798
Billings, MT	8.80	248.08	4,737
Nashville, TN	8.70	238.75	4,605
Wilmington, NC	8.50	232.25	4,487
Sioux Falls, SD	8.90	225.58	4,487
U.S. national average	8.75¢	$261.00	$4,882

[1]Costs include fuel, oil, normal maintenance, and tires.
[2]Costs include business-use insurance, license and registration, taxes, depreciation, and finance expense. A three-year/60,000-mile trade cycle is assumed for a six-cylinder, 173 CID model equipped with automatic transmission, power steering, power disc brakes, AM radio, and air conditioning.
[3]Total $/Year = (¢/Mile × 20,000) + ($/Month × 12).
Source: Runzheimer International.

Chevrolet's Proctor

try-leading 20% share of the fleet market, Chevrolet has begun to enlarge its fleet organization at the zone level along with pressing its recently re-established favorable pricing position within GM, Proctor says. For fear of alerting his competitors, though, he won't say just how many field salespeople Chevy has added to provide better coverage, especially of its 7,000 "preferred accounts."

After several years of rapid proliferation, incentive programs appear to play a smaller role in marketing strategies for 1985. Incentives, generally equipment options or cash allowances, have the following distinct functions and, depending on market conditions, one or another is more important:

- Satisfy the salesperson—especially important in the course of downsizing vehicles.
- Provide the appearance of reduced purchase price—useful to mollify sales and marketing executives feeling the pinch of skyrocketing new-car costs.
- Strengthen the resale value of the car—increasingly important as companies regard automobiles as a more significant investment.

The principal reason for the deemphasis this year appears straightforward enough. "You've already noticed a drop in incentives," notes Chrysler's Barton. "When the market is good and the product is good, there is a lessening need for them." At the same time, however, recent legislation aimed at curbing alleged subsidies to fleets has also put a damper on incentive programs. (See story, page 84.)

No matter how good things get in the marketplace, or how oppressive they wax in Washington, incentives are unlikely to disappear altogether. It's just that a healthy economy and strong product have resulted in a more sober approach. "It's not a year for wild, let's-try-anything programs," notes Buick's Wilson. This is in sharp contrast to a few years ago when, Wilson adds, "there were so many programs we couldn't keep track ourselves let alone the poor customer."

These days, resale value is on the minds of fleet customers whose

Karney of Pontiac

companies are now turning in the cars they bought two and three years ago. In the course of this exercise, many are learning a simple but unpleasant lesson. "Resale can make or break a fleet program," says Johnson Wax's Yackley.

Despite a fairly strong resale market last spring, buying weakened for some early fuel-efficient models that fleets purchased three years ago. Lately, demand for fuel efficiency at the expense of comfort is lackluster at best. Thus many companies are having trouble reselling cars at the prices they had anticipated.

"One of the most difficult things is the disposal of purchased cars," observes Richard Martel, marketing vice president for Hecon Corp., which sells electronic components for specialty printers, blood analysers, automatic teller machines, and packaging machinery. "When we purchased a car for $5,500 in 1975, we'd run it a few years and then sell it for $1,000 to an employee." Management was happy and so were employees, Martel says. "Today the same basic car costs $11,000. After three years, the salvage price is [proportionately] higher, but it is difficult getting rid of the car at that price."

For a solution, Hecon looked into leasing its cars. After a careful analysis, it replaced six company-owned cars with leased cars in July, and will continue to introduce leased cars into the fleet as the replacement schedule warrants. In addition, the six salespeople in leased vehicles chose Chevrolet's Celebrity station wagons over four-door sedans this time around. Martel went along with their preference without hesitation. "To us inside who don't put on much mileage," he explains, a small car isn't that annoying. "But for somebody driving 25,000 miles a year, you bend to make them happy."

While many sales and marketing executives have opted for leasing, others are wrestling with the issue. Still, a discernible trend toward leasing appears to be emerging, notes Mitchell Kamon, fleet accounts manager, west, for Volkswagen of America. He attributes a growth in the fleet leasing segment to the rise in cost of fleet operation generally. Leasing, he says, "allows an individual to obtain a nicer vehicle with little or nothing down and reasonable monthly payments." Volkswagen, whose fleet department is less than three years old, has focussed up to now on the daily rental market. It has high hopes that the new Golf, which is built in the US, will appeal to drivers of sales fleets where so far Volkswagen's penetration is limited.

Some managers still find, how-

ever, that fleet car concerns are best left to their drivers. For instance, Lamar Corp., Baton Rouge, LA, has no fleet plan, says its marketing vice president Herb Freeman. His 110 salespeople, who sell outdoor advertising space throughout the Southeast from Brownsville, TX, to Wheeling, WV, drive their own cars. Last July, though, the company added an employee who oversees a fleet of 300 pickup and panel trucks, and who will also provide input useful in tracking expenses related to use of cars by salespeople.

Another unseen, but pervasive development affecting the fleet industry parallels the information revolution elsewhere in society. "The biggest thing this year," says Bob Ward, president of Gelco Fleet & Management Services, Eden Prairie, MN, "is the increasing trend toward providing users with more information. Sales and marketing executives don't want it in the form of traditional hard copy reports, they want immediate access." Through GelcoLink, a computerized data service, Gelco's customers can get figures on servicing and performance immediately.

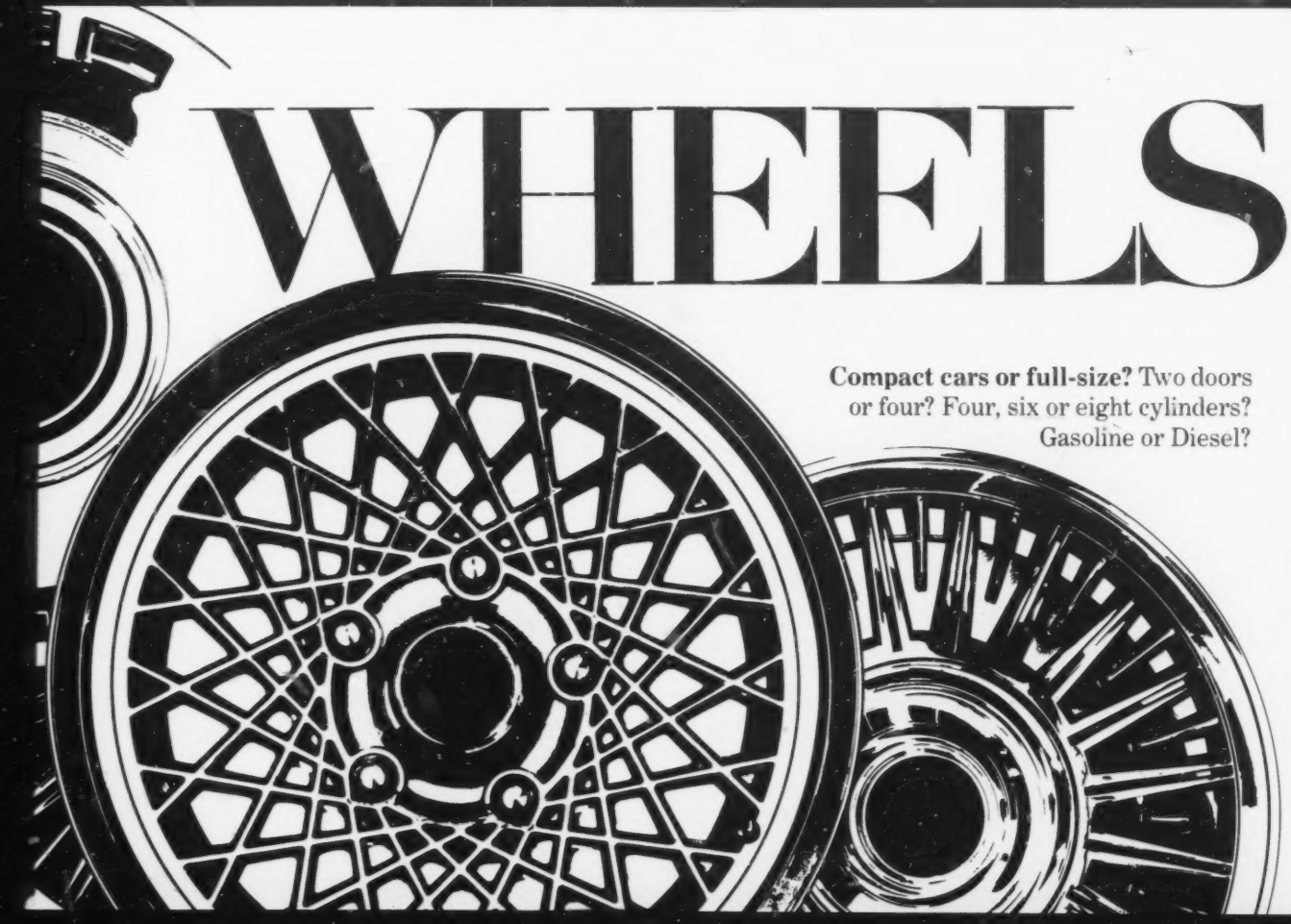
One issue that always concerns fleet managers is the impact imported cars have made on the market. So far, the inroads have been modest, but that is likely to change. Says one sales fleet overseer who requested anonymity, "[We] would have no objection to imported cars. It's principally a service problem. As time goes by, the distinction between domestic and imported is going to grow very muddled" because of such things as the joint venture by GM and Toyota and Ford's decision to import cars built in Mexico.

A renewed emphasis on quality and technology is in the new cars.

Meanwhile, most foreign car manufacturers are laboring under import restrictions that tend to deprive the fleet market even when demand grows. Nissan, for instance, has had to keep a low profile with lessors eager to acquire the company's redesigned 1985 Maxima sedans. "We just have token allocations to let them know we haven't forgotten them," says Ray Barnett, fleet sales and leasing administration manager. But next April Nissan will begin production

WHEELS

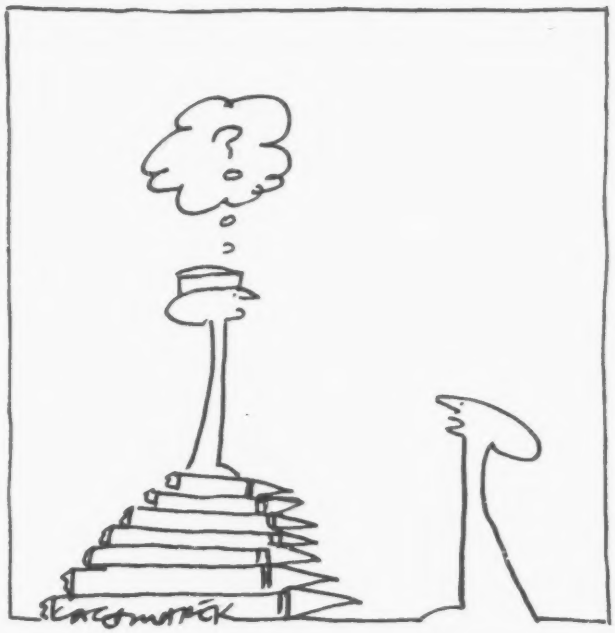
Compact cars or full-size? Two doors or four? Four, six or eight cylinders? Gasoline or Diesel?



of its Sentra compacts in the U.S., and that will open the door to increased sales to fleets, Barnett expects.

Generally, the mood among fleet marketers is sanguine. "I would say we really anticipate growth for the next two years before levelling off," says Pontiac's Karney. Chrysler's Barton, who was right last year when he predicted an across-the-board increase for fleet marketers, expects to see a further 10% rise in the number of fleet cars sold in 1985. Barton naturally plans for Chrysler to take a bigger share than ever before.

This competitive optimism augurs well for the sales and marketing managers who plan to lease or buy the cars, of course. But the changes in Detroit mean something else, too, when the subject turns to fleet cars. For the first time in years, the names are beginning to sound familiar.



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UPDATE ON H.R. 5305

DEALERS REV UP THE WAR ON FLEET INCENTIVES

By AL URBANSKI
Managing Editor

The movement by automobile dealers to end fleet-car buying incentives rolls along—although under a different name.

Under pressure from groups such as the National Automobile Dealers Assn. (NADA), Rep. Gene Taylor (R-MO) last year introduced H.R. 1415, a bill that would prevent automobile manufacturers from offering fleet-car buyers discounts or free options on new cars unless the same offers are made to dealers. Because the bill was drafted as an amendment to the Automobile Dealers Day in Court Act, however, it was referred to the House Judiciary Committee where it languished for months.

In an effort to speed things along, Taylor scrapped H.R. 1415 in March and, in its place, introduced a slightly reworded H.R. 5305. As a freestanding bill, H.R. 5305 was able to leapfrog Judiciary and be referred directly to the Committee on Energy and Commerce.

"H.R. 5305 does have some new provisions, such as exempting fleet buyers for local, state, and federal governments and the American Red Cross," says Taylor's chief legislative assistant Del Smith. "But the outstanding difference is that, since it doesn't amend any existing statute, it makes it easier to pass."

The outlook for fleet buyers and auto manufacturers is not good. Smith says that 224 representatives, a majority in the House, have come out in favor of the bill. What's more, Sen. John Melcher (D-MT) recently introduced a companion bill, S. 2770, in the Senate and, says Melcher's special assistant Dave Voight, "We're hopeful that manufacturers will see the interest Congress is taking in this issue and come up with a new program" before the Senate even takes action on the bill. Other bill proponents, however, won't settle for any compromise. Says NADA spokesman Bob Daly: "Dealers intend to pursue the legislation."

While the name of the bill has changed, gripes on both sides of the fence remain the same. Dealers argue that they, and eventually consumers, foot the bill for fleet incentives by paying higher prices for new cars. Manufacturers maintain that outlawing incentives will seriously hurt their fleet sales and force them to charge dealers even higher prices. They also fear that passage of the legislation will open up the fleet market to foreign carmakers.

"Such a bill is anticompetitive, costly to consumers, and ultimately detrimental to auto dealers in that it would inhibit a manufacturer's abil-

What is a car worth to a salesperson?

Everyone talks about how car costs have skyrocketed, but it is often difficult to quantify. By making several assumptions, however, Runzheimer and Co., Rochester, WI, has computed an average annual benefit to a sales employee from 1973 to 1984 in three categories of personal use.

Year	Total Annual Cost Running	Fixed	Annual Benefit Value 20% Personal Use	80% Personal Use	100% Personal Use
1973	$ 728	$1,214	$ 561	$ 998	$1,942
1974	1,043	1,362	674	1,301	2,405
1975	990	1,399	676	1,271	2,389
1976	960	1,448	677	1,264	2,408
1977	923	1,461	684	1,239	2,384
1978	855	1,503	685	1,199	2,358
1979	1,073	1,758	816	1,460	2,831
1980	1,268	1,989	934	1,696	3,257
1981	1,388	2,489	1,129	1,963	3,877
1982	1,365	2,727	1,206	2,026	4,092
1983	1,365	2,860	1,251	2,071	4,225
1984	1,365	3,064	1,321	2,141	4,429

The analysis assumes the following:
1. The car is a two-door, mid-sized vehicle equipped with automatic transmission, power steering, power disc brakes, air conditioning, AM/FM stereo, cruise control, tinted glass, power windows, and door locks; 1973–77 models have 350 cubic-inch displacement (CID) engine; 1978 has 305 CID engine; 1979 has 301 CID engine; 1980–84 have 231 CID engine.
2. Vehicle is retailed four years and driven 15,000 miles per year.
3. Gas prices based on July 1 prices of respective years
4. Fixed expenses include license, depreciation, financing, insurance

Source: Runzheimer International.

ity to provide merchandising programs to its dealers," Chrysler executive vice president Bennett E. Bidwell told a House subcommittee in April.

Manufacturers also like to point out that dealers are free to get involved in fleet sales. At the same hearing, General Motors vice president Robert D. Lund noted that "In 1983, 50% of the approximately 10,000 franchised GM dealers reported sales to fleet buyers."

Other bill opponents argue that H.R. 5305 flies in the face of free enterprise. "Auto companies aren't in the business of giving away money," says A. Samuel Penn, executive vice president of Peterson, Howell & Heather, a large Baltimore fleet administrator. "Incentives are usually given for sound economic reasons, such as promoting cars that aren't 'hot.' "

What all this means to fleet users is either more expensive cars with fewer options, or just older cars. A recent survey of members of the National Assn. of Fleet Administrators shows that 98% take advantage of incentives worth an average of $460.18 per vehicle for leased cars and $425.69 for owned vehicles. When asked what they would do if fleet incentives were banned, 42% said they would keep cars in service longer and 52% said they would reduce the number of options they order.

A company car is an office to many a salesperson and is as important to his image as a well-pressed suit or a tidy briefcase. If sales managers are willing to ignore the anti-free market overtones of H.R. 5305 and pay more to uphold the image of their sales forces, so be it. If not, now is the time for them to write their congressmen.

OTHER DEVELOPMENTS

- Recent regulations define the limitations on vehicles for business use. They restrict tax benefits on cars that cost more than $16,000 and that are used for business less than 50% of the time. While few fleet cars fall into that high a price category, and most salespeople travel on business more than 50% of the time, the "personal use" bill contains provisions about reporting that threaten all salespeople with more paperwork.
- Corporate Average Fuel Economy (CAFE) requirements, have resulted in fines to most manufacturers whose total output fails to meet fuel economy guidelines. The penalty falls most heavily on mid-sized and larger cars, which are popular in sales fleets. Fines on the auto companies—which they inevitably pass on to customers—are likely to increase if demand for larger cars continues in the retail sector.

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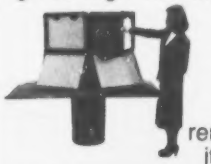

Open&Shut (case and all) weighs in at less than 50 lbs. so it's shippable via UPS. And it comes complete with a rugged, molded polyethylene carrying case.

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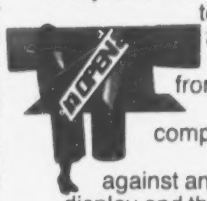

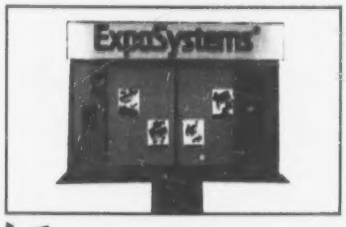

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